

# PUBLIC SECTOR MANAGEMENT STRENGTHENING PROGRAM

(SU-0027)

## EXECUTIVE SUMMARY

<b>Borrower and Guarantor:</b>	Republic of Suriname			
<b>Executing agency:</b>	Ministry of Home Affairs			
<b>Amount and source:</b>	IDB: (OC/IFF)	US\$	5.00 million	
	Local:	US\$	<u>1.25 million</u>	
	Total:	US\$	6.25 million	
<b>Financial terms and conditions:</b>	Amortization Period:	25	years	
	Grace Period:	48	months	
	Disbursement Period:	48	months	
	Currency:	US\$ from single currency facility		
	The interest rate, credit fee, and inspection and supervision fee mentioned in this document are established pursuant to document FN-568-3 Rev. and may be changed by the Board of Executive Directors, taking into account the available background information, as well as the respective Finance Department recommendation. In no case will the credit fee exceed 0.75%, or the inspection and supervision fee exceed 1% of the loan amount. <sup>1</sup>			
<b>Objectives:</b>	Interest Rate:	Variable (IFF)		
	Credit Fee:	0.25%		
	Inspection and Supervision:	0%		
	Contribute to the improvement of the transparency, efficiency, effectiveness and accountability of the Public Sector in Suriname. The program will provide assistance to the Government for redefining legal regulations and for technically strengthening the institutions related to civil service, civil registry and procurement in order to enhancing these public managerial systems. This project is a first step under a broader framework of a long-term effort for public sector modernization. The size of public employment, although it is a clear issue in the country, will not be addressed in this project. A parallel technical cooperation (TC-98-11-078) that will assist the country to develop a public sector reform road map is intended among other objectives to define a policy for downsizing the public sector progressively over time.			

<sup>1</sup> With regard to the inspection and supervision fee, in no case will the charge exceed, in a given six-month period, the amount that would result from applying 1% to the loan amount, divided by the number of six-month periods included in the original disbursement period.

<b>Components:</b>	<p><b>Component 1: Civil Service reform.</b> The program will support the Ministry of Home Affairs (MHA), responsible for managing the civil service, to prepare a strategy for human resources management transformation and relevant legal reforms, and to create a functional human resource management information system and corresponding training.</p> <p><b>Component 2: Improvement of civil registry.</b> The program will also assist the MHA to improve the operations and services of Centraal Bureau voor Burgenzaken (CBB – Central Bureau for Civic Affairs) by developing new and efficient operational procedures and by computerizing and networking the central and field offices that serve 75% of the population nationwide. In selected cases, field offices will be renovated to improve service to the public and working conditions.</p> <p><b>Component 3: Improvement of the public procurement system.</b> The project will assist the Ministry of Finance (MOF) to initiate a public procurement management reform aimed at setting new standards, such as transparency, efficiency, and accountability of the procurement system.</p> <p><b>Component 4: Connectivity backbone and a public sector e-readiness assessment.</b> The purpose of this component is to provide the connectivity infrastructure for the information systems to be designed and installed in the ministries of Home Affairs and Finance supporting the modernization of civil service, civil registry and procurement.</p>
<b>Special contractual conditions:</b>	<p>Prior to the first disbursement, the Government will: (i) establish the Project Coordinating Unit (see ¶3.3); (ii) enactment of the Operating Manual; (iii) enactment of the first Annual Operating Plan and (iv) sign a cooperation agreement between MHA and MOF for the implementation of the project, based on the Operational Manual (see ¶3.1).</p>
<b>Relationship to Bank's country and sector strategy:</b>	<p>The objective of the Bank's strategy for Suriname, articulated in the Country Paper of March 2000 (GN-2080-1), is to support policy and institutional reforms in order to improve institutional and incentive frameworks. The strategy designates five principal areas of strategic focus: (i) private sector development; (ii) improved governance and modernization of the state; (iii) human resource development and social inclusion; (iv) environmentally sustainable development; and (v) improved macroeconomic management. During the programming exercise in 2002, the strategic focus was narrowed to three key areas: (i) private sector development and export-led growth; (ii) social sectors; and (iii) public sector reform. Consequently, the program is consistent with the core strategy of supporting policy and</p>

institutional reforms as well as being in one of the three areas of strategic focus.

The Bank's Modernization of the State strategy (OP-1004) stresses four main action areas, including (i) democratic system, (ii) justice, (iii) state, market and society, and (iv) public management. The project will contribute in particular with the advancement of the fourth line of action defined by the strategy.

**Coordination with other Multilateral Development Institutions:**

The project has been designed in close contact with the donor community, particularly with the Dutch Cooperation, the European Union Cooperation, and the United Nations Development Program. During execution, regular information will be provided to the donor community in order to improve potential for future support to other public sector reform projects (see ¶1.32).

**Environmental/ social classification:**

Given the nature of the program, involving institutional reforms and minor remodeling of selected government offices, the activities to be financed will not have negative direct environmental or social effects. Studies on environmental policies and social safeguards have been included in the TC-98-11-078, which is going to be implemented in parallel and in close coordination with this project. Enhancing selected CBB offices could increase the quality of working conditions and citizen satisfaction. The installation of the connectivity backbone, if an optical fiber network is adopted, could produce limited interference in the use of certain streets of Paramaribo during a period of time.

**Potential benefits:**

On the one hand, the project has a great deal of intangible socioeconomic benefits, including greater motivation of civil servants; citizen's perception of enhanced provision of selected public services; citizen's perception of advancement in the quality of the public sector in general; positive expectations on subsequent reforms; and strengthening of the credibility of the Road Map for public sector reform, all of which could marginally increase satisfaction with the democratic system, strengthening stability and incentive private investment. As a result of the former the project is expected to enjoy social support, and promote further institutional modernization. On the other hand, the project could provide also tangible socioeconomic benefits, measurable through a cost/benefit assessment, with an investment period of four years and a benefit period of seven years, the lower scenario provides a 3.27 B/C ratio, and the higher scenario a 5.18 B/C ratio. During project preparation the Bank also contributed to add value to the Government's strategic view for public sector transformation through a proposal to finance a comprehensive plan and consensus building process for achieving a long-term reform, of which this project is a first step.

<b>Potential risks:</b>	<p>While the government and the various political and social stakeholders (parties, business community, unions, NGOs, interest groups) have given clear indication of their commitment to proceed to the proposed changes, legal changes and the creation of managerial information systems for civil service and procurement may encounter resistance from individuals or groups that currently benefit from regulatory weaknesses and lack of information and control on these areas.</p>
<b>Poverty-targeting and social sector classification:</b>	<p>The experience in Suriname shows that institutional and technical improvements of the public sector may be slowed down or abandoned over time by a loss of skilled personnel from the Government. The strong commitment of the Ministries for developing the reforms proposed in this project and thorough training following reform efforts increases the feasibility and sustainability of the new institutional setting.</p> <p>This operation does not qualify as a social equity-enhancing project, as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704). Furthermore, this operation does not qualify as poverty targeted investment (PTI).</p>
<b>Procurement plan and timeframe, threshold amount for ICB:</b>	<p>Procurement of goods and services for the program will follow standard Bank's procedures. In the case of goods, works, and consulting services the program will follow standard Bank's procedures. In the case of goods and related services estimated to cost US\$250,000 or more, international competitive bidding will be mandatory. For works estimated to cost US\$1 million and above, international competitive bidding will be mandatory. For values under that amount national legislation will be applied as long as it does not conflict with Bank's norms. In the case of consulting services, international competitive bidding will apply for values equal or above US\$200,000, and national competitive bidding for values under that amount. Annex II presents the Procurement Plan.</p>
<b>Key performance indicators &amp; monitoring benchmarks:</b>	<p>Administrative control and follow up of Civil Service by the Ministry of Home Affairs improves three years after the first disbursement, including effective qualitative and quantitative information of human resources in the public sector, control of personnel movements, and monitoring of application of the Human Resource Strategy in each Ministry.</p> <p>Human resource staff in the ministries perform their tasks in accordance with the Human Resource Strategy and apply this strategy consistently by the last year of project implementation.</p> <p>Time for processing civil registry records reduced by 25% by the end of the project.</p>

Time spent by citizens on transaction with CBB is reduced eight hours per year on average by the end of the project.

The time needed to process public procurement from issuance of bidding documents to award in two selected Ministries (MOF and Public Works) is reduced 10% one year after completion of component implementation and 30% three years after the end of project implementation.

The GOS obtains savings related to better procurement practices in two selected Ministries (MOF and Public Works) equivalent to 1% per year over seven years of their procurement budgets once new procedures are implemented.

The GOS saves 8.7% over seven years out of its communication budget after completion of the intra-governmental communications network (backbone) and implementation of an intra-governmental telephone network.

The GOS has all the analytical elements for deciding to upgrade to e-government and e-procurement by the end of project implementation.

**Reporting  
arrangements  
jointly with Bank  
and executing  
agency**

The monitoring and evaluation process will include the submission of biannual progress reports normally required by the Bank, as well as the presentation of the financial statements and revolving fund statements. It will also include a mid term review and a final evaluation.